# GOVERNMENT OF INDIA
# FINANCE
# LOK SABHA

UNSTARRED QUESTION NO:4071
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PRICE RISE
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**Will the Minister of FINANCE be pleased to state:**

(a) whether the World Bank has warned that the easy money policy coupled with mounting Government borrowing in India could lead to rise in prices in the near future;

(b) if so, the reaction of the Government thereon; and

(c) the steps taken by the Government to check the rise in the prices?

## Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI BALASAHEB VIKHE PATIL)

(a)and (b): `Global Economic Prospects and the DevelopingCountries 2002` published by the World Bank mentions that monetary stance in India at present is expansionary, indicating, perhaps, higher inflation in the near future. It also notes that fiscal position in India has been highly expansionary in recent years. Keeping in view the sound fundamentals of the economyas reflected in moderate inflation, large foodgrain stocks, and high foreign exchange reserves, the monetary policy stance continues to lay emphasis on provision of adequate liquidity while keeping a vigil on inflation. It is the constant endeavour of the Government to contain fiscal deficit of the Centre and a comprehensive legislation in this regard was introduced inthe Lok Sabha in December 2000. The Fiscal Responsibility and Budget Management Bill, 2000, seeks, inter alia, to reduce the fiscal deficit. The Budget 2001-02 emphasizes expenditure management through, among other things, structural changes in the composition of Central Government expenditure and economy in non-plan revenue expenditure.

(c) The current fiscal year started with an inflation rate of5 per cent, which decelerated to reach a two-year low of 2.4 per cent by November 24, 2001. Concerted efforts are being made toensure adequate availability of essential commodities of mass consumption at reasonable prices. The demand side measures include regular monitoring of monetised deficit and broad money (M3) growth.